



## MEMORANDUM

**DATE:** October 21, 2019

**TO:** USAID/Bureau for Management/Office of Acquisition and Assistance/Cost, Audit and Support Division, Branch Chief, David A. McNeil

**FROM:** Acting Director of External Financial Audits Division, Steven Shea /s/

**SUBJECT:** Single Audit of the Catholic Relief Services - United States Conference of Catholic Bishops and Affiliates for the Fiscal Year Ended September 30, 2018 (3-000-20-001-T)

This memorandum transmits the final audit report on Catholic Relief Services - United States Conference of Catholic Bishops (CRS) under Title 2 United States Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* for the fiscal year ended September 30, 2018. The audit report was obtained from the Federal Audit Clearinghouse. RSM US LLP performed the Title 2 CFR Part 200 audit. RSM US LLP states it performed its audit in accordance with generally accepted government auditing standards RSM US LLP is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on CRS's financial statements; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations.<sup>1</sup>

The audit objectives were to: (1) express an opinion on whether the financial statements as of September 30, 2018 were presented fairly in all material respects; (2) express an opinion on whether the schedule of expenditures of federal awards as required by 2 CFR Part 200, "*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*" is fairly stated in all material respects; (3) describe the scope of testing of internal control and compliance and the results of that testing and not to provide an opinion on its effectiveness; (4) determine whether CRS complied in all material respects with the types of compliance requirements that could have a direct and material effect on each of its major federal programs; and, (5) determine whether the indirect rate calculation is fairly stated in all material respects in relation to the consolidated financial statements as a whole. The schedule of expenditures of federal awards disclosed that CRS audited expenditures were \$ 526,602,129 and the U.S.

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<sup>1</sup> We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

Agency for International Development's (USAID) audited expenditures were \$ 443,519,747 for the FY ended September 30, 2018.

The audit firm expressed an unmodified opinion on the financial statements. Additionally, (1) the audit firm determined that both the schedule of expenditures of federal awards and the indirect rate calculation were fairly stated in all material respects, and the auditors expressed a qualified opinion on USAID's Foreign Assistance for Programs Overseas' compliance with requirements that could have a direct and material effect on each major program; and an unmodified opinion on the other major programs; (2) the auditor identified one significant deficiency in internal control related to limited systems to monitor sub recipients and one material weakness related to a material loss of commodities; (3) the auditor identified a material weakness and significant deficiency in internal control over compliance; and, (4) the auditor identified one instance of noncompliance that is required to be reported by 2 CFR Part 200 and a material instance of noncompliance that is required to be reported under generally accepted government auditing standards. We are not making a recommendation to address instances of noncompliance or significant deficiencies. Nevertheless, we suggest USAID's Office of Acquisition and Assistance Cost, Audit and Support determine if the recipient addressed the issues noted. RSM US LLP did not identify any questioned costs.

To address the issues identified in the report, we recommend that USAID's Office of Acquisition and Assistance Cost, Audit and Support Division:

**Recommendation 1.** Verify that Catholic Relief Services - United States Conference of Catholic Bishops corrects the material weakness detailed on pages 21 and 24 of the audit report.

**Recommendation 2.** Verify that Catholic Relief Services - United States Conference of Catholic Bishops corrects the material instance of noncompliance detailed on page 21 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach a management decision. We appreciate the assistance extended during the engagement.

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees because a high percentage of these reports contain information restricted from release under the Trade Secrets Act, 18 U.S.C. 1905 and Freedom of Information Act Exemption Four, 5 U.S.C. 552(b)(4) ("commercial or financial information obtained from a person that is privileged or confidential").